

bulletin





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Questions and Answers on the Proposed International Trade Organization

What is the ITO and How Will It Work?

What is the ITO?

The ITO (International Trade Organization) is a proposed specialized agency of the United Nations to administer and implement a code of principles or rules of fair dealing in international trade. This code is contained in a charter which was developed at the United Nations Conference on Trade and Employment at Habana and which has been agreed upon in 1948 by representatives of 54 countries. All governments adhering to the charter would become members of the ITO.

The broad purpose of the charter is to promote the expansion of international trade, to encourage the economic development of backward areas, and to improve standards of living throughout the world. The charter seeks to achieve this goal by (a) establishing a code of fair dealing in international trade that will avoid economic warfare; and (b) by encouraging countries to reduce artificial trade barriers and to establish a multi-lateral, nondiscriminatory trading system.

The charter covers the whole range of international economic relationships: tariffs, quotas, export subsidies, exchange matters, customs formalities, cartels, commodity agreements, state-trading, and the international aspects of foreign investments, employment and economic development, and a procedure for the settlement of trade disputes.

Why is an ITO needed?

Before World War II, international trade was hampered by restrictive devices that prevented an expansion of world trade. Countries resorted to unilateral action without regard to the effect of their actions on the economies of other nations. This led to retaliation and resulted in economic warfare. At the end of World War II, the economic situation of a large part of the world was in chaos. Destruction of the tools for peacetime production meant lack of the most basic supplies for domestic consumption, and in many areas virtually no goods for export were available which could be traded for essential items obtainable only from abroad, and particularly from the United States.

As a result, most countries adopted even more rigid governmental controls to insure that only the most necessary imports were bought with the fast-diminishing foreign currency available to them. They employed import quotas, foreign-

exchange controls, import-licensing systems, discriminatory bilateral and barter deals, state-trading devices, tariff increases, and other restrictive devices.

The ITO seeks, by cooperative agreement, to relax these barriers, to avert economic warfare, and to pave the way for an expansion of world trade.

How will the ITO work?

Implementation of the charter rests with member governments who voluntarily agree to follow its rules.

The main governing body of ITO is the Conference which includes all members, each having one vote. Decisions are by majority (in certain cases by a two-thirds or three-fourths) vote. No member has a veto.

Some functions of the Conference are granted, and others may be delegated, to an Executive Board on which the United States will have permanent representation by reason of its economic importance. Here also each member has one vote. As has been experienced in other international agencies, the United States position of world leadership will make its actual influence in ITO far greater than its single vote might indicate.

The ITO provides a convenient forum and assists in consultation between members. Members agree to settle trade disputes in accordance with the procedures of the charter and the decisions of ITO. If a country does not wish to follow a decision of ITO, it may leave the organization (on 60 days' notice) but will no longer be entitled to the benefits that ITO members extend to each other.

What will the ITO cost?

The cost of ITO will be small because the only expense will be for administrative purposes. It is neither provided nor intended that ITO shall have funds for lending to its members or for any other similar purposes.

From the standpoint of dollars and cents, ITO will yield returns many times greater than its cost to the United States. The ITO, by expanding world trade, will (a) benefit directly those branches of American agriculture and industry that must export; (b) benefit consumers and consuming industries in this country that depend upon foreign sources for their raw materials; and (c) help other countries support themselves, thereby reducing their need for American grants and loans. The ITO thus offers a substantial bargain to the American taxpayer.

THE UNITED NATIONS AND SPECIALIZED AGENCIES

How will countries become members of the Ito?

In the United States the charter will be submitted to Congress for decision as to ratification. If ratified, an instrument of acceptance will be deposited with the Secretary-General of the United Nations. When ratified by 20 governments, the charter will enter into force for those countries.

The 54 countries whose representatives have agreed to the Habana charter are considering it for ratification. These 54 countries include practically all of the important trading nations. The Soviet Union was invited to participate in the charter negotiations but declined.

In view of our position of world leadership, most countries are awaiting action by the United States before deciding what they shall do about the charter. Consequently, the question as to whether there shall or shall not be an International Trade Organization rests largely with the American people and the United States Congress.

The ITO and U.S. Economic Foreign Policy

Why is the Ito an important instrument of United States economic foreign policy?

The goal of United States economic foreign policy is to expand world trade, world production, and consumption, with the objective of raising the living standards of all peoples.

The Ito, by establishing a code of fair trade practices, contributes to this goal. The Ito supplements the European Recovery Program, the Reciprocal Trade Agreements Program, the International Bank, the International Fund, and the other U.N. economic agencies, each of which is designed to deal with a different aspect of world economic problems but all of which lead to world recovery.

An improvement in the economic well-being of other countries is important to the United States because economic recovery will contribute toward world political stability. Democracy cannot survive in the years to come unless the democratic countries are economically sound and economically self-sustaining.

Is Ito consistent with United States foreign policy and our democratic institutions?

The charter reflects the traditional objectives of American economic policy—reduction of artificial trade barriers, equality of treatment for all countries, and the encouragement of private, competitive trade. In joining the Ito, the United States would not commit itself to any principles foreign to our economic or political philosophy.

The Ito is a voluntary compact among nations based on the principle of sovereign equality. It is neither a supranational government nor a super-state. The Ito cannot require any member to take action. No nation is compelled to remain an Ito member.

The charter, like any other international agreement, contains commitments that limit the action of the signatory powers but these commitments are freely undertaken by member countries; they are narrowly defined and carefully limited, and may be canceled by withdrawal from the organization. Ito would have no power to intervene in the domestic wage, employment, price, or other internal economic policies of a member country.

The Ito charter would not restrict our national sovereignty in any greater degree than does our membership in the United Nations.

How does the Ito help our private-enterprise system?

The Ito, by promoting an expansion of world trade, helps to maintain our foreign trade and thus benefits our domestic economy. Nearly 10 percent of our total agricultural and industrial production is exported. The maintenance of a high level of export trade is important, therefore, to our domestic economy. Prosperity in the United States helps the private-enterprise system. Depression in the United States would strengthen a movement for governmental controls at the expense of the private-enterprise system.

The Ito promotes an expansion of competitive international trade, rather than governmentally controlled international trade, by: (a) encouraging the reduction of artificial governmental barriers to the flow of competitive international trade; (b) committing members, through the charter, to refrain from various governmental actions interfering with international trade that, in the absence of the charter, they would be entirely free to take; and (c) improving the economic situation of other countries, thereby reducing their need for governmental controls.

Thus, the Ito provides a code consistent with our own system of free enterprise—a code essential in the long run to the continuation of private trading.

What is the relationship of the Ito to the Reciprocal Trade Agreements Program?

The Ito charter has grown out of the Reciprocal Trade Agreements Program, but it is more comprehensive. The Reciprocal Trade Agreements Program, begun in 1934, seeks to reduce artificial trade barriers and to establish nondiscriminatory trading practices by mutual negotiations between countries. Under the charter other countries agree to this traditional objective of our economic foreign policy.

Under the Reciprocal Trade Agreements Act, the United States negotiated with 22 other countries to conclude the General Agreement on Tariffs and Trade at Geneva in 1947. This agreement is already in effect for all of the 23 countries except one. Under the agreement, the 23 nations reduced tariff rates on some items and bound against in-

crease of existing tariff rates on other items, for products accounting for over one half of the world's total foreign trade (prewar levels).

The charter, however, covers many other aspects of international trade relationships not included in reciprocal trade agreements. Among these are commodity agreements, cartels, the international aspects of investments, full employment and economic development, and the establishment of an International Trade Organization. The Reciprocal Trade Agreements Program and the Ito charter have a common goal of expanding competitive world trade.

What is the relationship between the Ito and the European Recovery Program?

The European Recovery Program and the Ito complement each other. The European Recovery Program is an immediate measure to put Western Europe on its feet again. The Ito seeks to establish world-trading conditions that will enable Western Europe to stay on its feet after American financial aid ends.

The densely populated ERP countries must obtain raw materials from overseas areas to supplement their own inadequate resources. They pay for these imported raw materials by exporting manufactured products to many parts of the world. The expansion of world-wide markets for their exports is consequently a life-and-death matter if Western Europe is to be on a self-sustaining basis. The Ito is designed to establish trading conditions that will provide good markets throughout the world. It is thus more likely that the original American investment in European recovery will pay future dividends in terms of sustained world prosperity.

What is the relationship of Ito to the International Monetary Fund and the International Bank for Reconstruction and Development?

The Ito aims to establish trading conditions that will contribute to a maximum expansion of world trade on a multilateral basis. The Fund and the Bank, in the formation of which the United States played a leading role, aim to establish financial conditions that will contribute to the same end. Thus the Ito, the Bank, and the Fund supplement each other.

Instability of foreign-exchange rates hinders the expansion of international trade, as the pre-war experience showed clearly. Producers and traders engaged in international commerce find it exceedingly difficult to plan their business operations and to calculate cost and profits in their own currency, when a part of their transactions are in foreign currencies of widely fluctuating values. Thus, wide fluctuations in exchange rates tend to curtail international trade.

The function of the Fund is to promote orderly

exchange practices, to prevent the use of foreign-exchange practices that lead to competitive depreciation or to trade restrictions, and in general prevent abnormal fluctuations of foreign-exchange rates. It does this by giving technical advice to members in the handling of their fiscal affairs, by serving as a consultative forum in exchange matters, and by the purchase and sale of foreign currencies.

The Bank reinforces the efforts of the Fund by granting long-term loans to war-devastated and economically underdeveloped countries. The loans improve the internal economic conditions of such countries in the immediate future by increasing their importing capacity and in the long run by increasing their producing and exporting capacity. This helps them keep their currencies more stable.

In the long run, the Fund and the Bank cannot promote orderly exchange practices and improve financial conditions generally unless countries adopt trading practices that enable goods to flow more freely from one country to another, and that enable each country to export enough to pay for its necessary imports. The establishment of such trading practices is the function of Ito. However, goods cannot flow more freely from one country to another, unless there are orderly exchange practices, convertibility of one currency into another, and improved financial conditions. These are aims of the Fund and the Bank.

Will the charter hinder the United States from taking adequate measures to protect our national security?

Under the charter, no member could be required to release any information which it considered contrary to its essential security interests. No member would be prevented from taking whatever action it considered necessary in regard to fissionable materials or traffic in arms. The operation of any agreement made by or for a military establishment for the purpose of meeting essential requirements of national security would likewise be excepted from the scope of the charter. No member could be prevented from taking any action it considered necessary in time of war or "other emergency in international relations". The charter therefore permits the United States to take such basic measures as may be necessary in furtherance of our national security.

Important Provisions of the Charter

How does the charter handle the problem of trade relations between private-trading countries and state-trading countries?

The charter lays down rules to insure that state-trading enterprises will be subject to the same rules of the game in international trade as private enterprises. This is important to the development of stable and continuous world markets. Governments may not, through their control of

certain enterprises, erect barriers to trade or discriminate against other member nations so as to nullify their obligations in the charter regarding private trade. The charter requires that state-trading enterprises shall conduct their international trade on the basis of commercial considerations. The charter thereby stipulates that market forces rather than national political goals should be the fundamental regulator of international trade.

What does Ito do about international cartels?

The charter sets up the first international mechanism in history to deal with the problem.

Under the charter, members agree to take measures to prevent harmful business practices that restrict international trade, such as those frequently carried on by cartels. This applies to both private and state-trading enterprises. The Ito is given responsibility to investigate complaints concerning the international effects of such restraints of trade as price fixing, exclusion from markets, suppression of technology, misuse of patents, restriction of production, and so forth.

Ito may call upon all members concerned to take action to remedy specific cases of cartel abuses which hinder the flow of goods between countries and interfere with the efficient use of the world's economic resources. Ito will publish its findings in each case. It will have no police powers but each member nation will be pledged to take action against cartels whenever they operate contrary to the principles of the charter.

What does the Ito charter do about customs "red tape" that now hampers businessmen in international trade?

The charter simplifies customs formalities. It will reduce the "red tape" of hundreds of different customs formalities, each different for different nations. This maze of dissimilar and onerous regulations has operated as an "invisible trade barrier" frequently regarded by businessmen as more burdensome to their operations than actual tariff duties.

The new provisions in the charter represent the most inclusive set of rules for the improvement of customs regulations ever achieved internationally. These provisions relate to transit regulations, anti-dumping and countervailing duties, valuations for customs purposes, import and export formalities, marks of origin, publication and administration of trade regulations, and statistics.

How does the Ito charter affect our agricultural program?

American agricultural production has increased so much since 1939 that a high level of domestic and export demand is necessary to absorb the output. United States exports of agricultural products are about double imports of competitive-type agricultural products. The Ito charter, by ex-

panding world trade, will help to maintain good domestic and foreign markets for American farm products.

The charter contains many provisions of specific importance to our agricultural program. These provisions are designed to expand international trade, and, at the same time, to provide safeguards in special circumstances.

Under the charter, when surplus production of a particular crop causes a sharp price fall, producing and consuming countries may make inter-governmental commodity agreements that regulate production or price, to insure fair prices to producer and consumer alike. Such agreements help to stabilize conditions in the producing areas and in the consuming markets. In the absence of the charter, countries would continue to be free to make any kind of commodity agreement they saw fit but without the charter safeguard of adequate protection to both producers and consumers.

Under the charter, a country may use export subsidies to dispose of agricultural surpluses, but not in such a way as to capture more than its equitable share of the world market for that product.

Under the charter, when a country has an agricultural-control program to restrict the output of a particular crop, it may use quotas to restrict imports. The imports, however, may not be reduced proportionally more than the domestic crop is restricted. Without this safeguard, foreign countries could reduce their imports of American agricultural products to zero.

Under the charter, if a tariff concession is granted on a particular product and imports of that product enter the United States (or other country) in such increased volume as to cause serious injury to the domestic industry, the tariff concession may be withdrawn. The consent of the other country is not required, but the other country would be free to withdraw an equivalent concession from the United States.

How does the charter deal with the dollar-shortage problem?

Many countries are in balance-of-payment difficulties as a result of the war. Their exports are small compared to imports, with the result that they lack foreign exchange to pay for essential imports. The chief balance-of-payment problem today is the world shortage of dollars resulting from the overwhelming demand of other countries for products obtainable only in the United States. The United States has been exporting about twice as much as it imports, with the result that other countries have exhausted their supply of dollar exchange.

The charter permits a country in balance-of-payment difficulties to use quotas to keep imports within its means of payment. A country may use such quotas to favor importing products essential

to its economic recovery over products less important in that respect. Until March 1, 1952 (but not thereafter without consulting the Iro, the Fund, or both), a country may use quotas to favor imports from countries where it has adequate supplies of foreign exchange over imports from countries where it lacks foreign exchange.

The charter prescribes an orderly procedure for applying quotas, and for terminating their use, in order to disturb trade as little as possible. Countries imposing quotas must, if requested, consult with other affected members. The charter requires that a country must cease using quotas for foreign-exchange purposes when the International Monetary Fund (in which the United States has 30 percent of the voting power) decides that a country's balance-of-payment difficulties are over. In the absence of the charter, there would be no curbs whatsoever either on the use of such quotas or on their duration.

The fundamental solution for the world's balance-of-payment problems, and for the dollar shortage, is to increase world production and trade. The Iro charter, by establishing trading conditions that enable countries facing balance-of-payment difficulties to sell their goods throughout the world, will help them expand their production and trade. This will enable them to export enough to pay for their necessary imports, thereby contributing to the solution of the world balance-of-payment problem.

What does the charter do about preferences?

The basic principle of the charter is that members must not discriminate against the trade of each other. Nondiscrimination, or multilateralism, permits international trade to flow along competitive lines so as to bring about a maximum expansion of world production and trade. Discriminatory practices force international trade into noneconomic channels, often on the basis of national political and diplomatic goals, and such action often leads to retaliation by other countries and to a curtailment of international trade.

The charter recognizes that immediate, rigid application of the basic principle of nondiscrimination would not be practical in all cases. It recognizes certain exceptions: (1) to avoid the disruption of old trade channels; (2) to cope with transitional problems arising from the war; (3) to pave the way for the formation of customs unions; and (4) to stimulate the development of underdeveloped countries. The charter specifically defines and limits these exceptions as follows:

(1) When countries have long-established tariff preferences, such as the British Empire or the United States - Cuban preferential systems, such preferences may continue in effect but they may not be increased. Such preferences may be reduced or eliminated by negotiation on individual items, as in fact many were reduced or eliminated

in the 23-nation General Agreement on Tariffs and Trade concluded at Geneva in 1947.

(2) When a country has balance-of-payment difficulties, it may favor imports from a country where it has adequate supplies of foreign exchange as against imports from another country where it lacks foreign exchange (see question 17).

(3) When two or more countries plan to form a customs union, with complete abolition of tariffs between members of the union, they may find it necessary to accomplish this plan in stages. Thus during the transitional stages, members of the union will have lower tariffs against each other than against outside countries. The final result, however, is to make a larger open-market area that will contribute to an expansion of foreign trade, in accordance with the long-run goal of the charter.

(4) When neighboring countries wish to grant each other tariff preferences on certain products to insure an adequate market for the development of new industries, they may do so if expressly authorized by a two-thirds vote of Iro, or by a finding of Iro that the arrangement in question meets a number of rigorous conditions and requirements set out in the charter.

Does the charter protect United States investors in foreign countries?

One aim of the charter is to encourage the international flow of capital for productive purposes.

The charter recognizes the right of countries to prescribe the terms upon which they will allow existing and future foreign investments. The United States and other countries have always insisted upon this right as an essential element of their sovereignty.

However, under the charter all members pledge themselves to provide "adequate security for existing and future investments" and not to take "unreasonable or unjustifiable action" injurious to foreign investment within their territories. In the past, many countries claimed the right to take any action whatsoever regarding foreign investment in their jurisdiction. Accordingly, American investments abroad were often injured by actions of other governments and compensation was often inadequate. The charter commitment by all member countries to provide adequate security to foreign investments, and not to take unreasonable action injurious to foreign investment, represents a major advance over current practice.

Under the charter, members agree, if requested by another member, to negotiate bilateral agreements for more detailed arrangements regarding foreign investments. They agree to consult with each other when differences of opinion arise regarding foreign investment. If unable to agree among themselves, they may refer such conflicts to the Iro, and if a country does not observe an

Ito decision, the Ito may authorize other members to withdraw charter benefits from that country. In cases involving legal differences, the disputes may be referred to the International Court of Justice.

General Questions on the Charter

Why are there "escape clauses" or exceptions in the charter?

Certain "escape clauses" or exceptions have been included in the charter to allow for unusual circumstances requiring some departure on the part of a member from the strict rules of Ito. One of the principal reasons for these exceptions is to meet current abnormal conditions arising out of World War II. There are no "blanket" exceptions to the charter; each exception is specifically defined and can be used only if certain stated requirements are satisfied.

These escape clauses, some of which were included in the charter at the request of other countries and others at the request of the United States, simply recognize practical situations and provide a method of dealing with them in terms of the long-run principles of the charter. For example, one principle is that countries should not use quotas to restrict their trade. But now many countries lack foreign exchange to pay for all the imports they want. The charter allows them to use quotas, to budget their imports to essential products, and to keep their imports within their means of payment, as long as they are short of foreign exchange; *but* as soon as the shortage is over, they must not use quotas for such restrictive purposes.

Another long-run principle is that countries should negotiate for the reduction of trade barriers. The charter recognizes, however, that this commitment cannot be carried out effectively without the safeguard that in individual cases, where abnormally large imports of a particular product injure the domestic industry, the tariff reduction granted on that product in an agreement may be withdrawn.

The exceptions make it possible for countries to adopt the charter now, and enable them to put into effect immediately many of its provisions which can be applied at once and which in themselves hasten the return of orderly international trade. At the same time, the charter, by fixing the long-run principles of trade, enables countries to plan now their long-run course of action, on the basis of prospective cooperative trade relations rather than economic warfare; and this, too, hastens the return of orderly international trade. Thus the charter is a practical instrument to guide nations towards a cooperative expansion of world trade.

Should the charter have been restricted to a statement of general principles only?

The charter was designed as a practical, working

code for international commercial relations. Nations realized that the charter, to be effective, must deal with specific cases and specific procedures.

A declaration of broad generalities, without definite rules, without specific commitments, and without provisions for implementation, would mean little more than a declaration of hope. The World Economic Conference at Geneva in 1927 and the World Monetary and Economic Conference at London in 1933 issued broad declarations without specific commitments, which had little tangible influence in solving world-trade problems. On the basis of this past experience countries decided to make specific agreements with specific commitments that would really mean something.

Would it be better to postpone adoption of the charter until world economic conditions return to normal?

A major purpose of the charter is to establish trading practices that will hasten world economic recovery. To postpone adoption of the charter would be to delay recovery.

Many provisions of the charter would have practical application at once. Among these are provisions for simplification of customs formalities, procedures for making commodity agreements equitable to both producing and consuming countries, procedures for curbing cartel practices that restrict international trade, rules for governing trade relations between state-trading and private-enterprise countries, commitments to negotiate for the reduction of world-trade barriers, commitments to provide adequate security for foreign investments, methods for settling international trade disputes, and so forth.

There are some important cases where the full effect of the charter principles will not be felt until the world returns to a more orderly economic life. The principal case is that of allowing countries to use discriminatory quotas when faced with balance-of-payments difficulties. Even in such cases, the charter contains provisions which have immediate effect, for example, the procedures for an orderly application of such quotas so as to disturb trade as little as possible and the procedures for terminating the use of these quotas when the country concerned no longer faces balance-of-payment difficulties.

The charter establishes a pattern for world-trading practices that will lead to an expansion of world trade. It creates this pattern *now* before restrictive and discriminatory practices freeze into a mold too hard to break after the transition period is ended.

Will countries in economic and political difficulty be able to put the charter into effect?

The charter is a realistic document which takes into account present emergency conditions facing

(Continued on page 63)

Department of State Bulletin

The United States in the United Nations

December 22-January 7

Palestine

Egypt and Israel have agreed to cease-fire and to begin immediate negotiations, under United Nations chairmanship, to implement the Security Council resolutions of November 4 and November 16. Acting Mediator Ralph Bunche was informed on January 6 by his representatives in Cairo and Tel Aviv.

Meanwhile the United States on December 28 had named James B. Keenan, formerly Assistant Attorney General, as its representative on the Conciliation Commission appointed by the General Assembly on December 11. The Security Council, at its meeting on December 29, had requested the members of the Commission to name their representative as soon as possible. The French representative is Claude de Boissanger. The Turkish representative is Huseyin Yalcin.

Indonesia

The Security Council, remaining in Paris after the close of the General Assembly, met five times between December 22 and December 30 on the questions of Indonesia and of Palestine.

At a meeting called at the request of the United States, the U.S. Delegate, Ambassador Philip C. Jessup, submitted a resolution, supported by Colombia and Syria, asking the Security Council to call for a cease-fire in Indonesia, for the withdrawal of both Dutch and Indonesian troops to the positions they held before the renewal of fighting on December 19, and for a report from the Good Offices Committee on events since December 12, "assessing responsibility for outbreak of hostilities."

As discussion began, a cable was received from the Good Offices Committee at Batavia, signed only by the U.S. representative, H. Merle Cochran, and the deputy Australian member, since Australian and Belgian representatives were at that time isolated at Kaliurang. The report said that "in commencing military operations on the 19th of December, the Netherlands Government acted in violation of its obligations under the Renville Truce Agreement."

In his statement to the Council tracing the history of the conflict in Indonesia and of the action by the Council since the first outbreak of hostilities in July 1947, Dr. Jessup declared, "After carefully studying the material thus far made available by the Committee, my Government fails to find any justification for renewal of military operations in Indonesia. This is particularly true in light of the fact that there has been a resort to force following a period of seven months in which the resources of the Committee of Good Offices have not been utilized. If, as is alleged, violations of the truce agreement by the Republic have been so extensive and so persistent over a period of time,

then it seems to me that the Netherlands Government should have reported these violations directly to the Security Council before renouncing the truce agreement and resorting to military action by land, sea, and air against the Republic. This is especially noteworthy in view of the assurances offered the Council by the Netherlands representative the last time the Indonesian question was before the Council, and in view of more recent assurances offered the Governments represented on the Committee of Good Offices."

"I must reiterate my Government's view that the Council's cease-fire order of the first of August, 1947, continues to be binding on both parties and that it has been violated by the recent armed action taken by the Netherlands authorities in Indonesia."

On December 24, the portion of the U.S. resolution calling for a cease-fire, with an amendment submitted by Syria, calling for the release of the Indonesian Republic leaders, was passed by exactly seven votes with the U.S.S.R., France, Belgium, and the Ukraine abstaining.

A new Soviet resolution, submitted by Syria, Colombia, and the Ukraine, calling for the immediate withdrawal of troops, was offered on December 27, and was defeated.

The next day, after the Dutch delegate, J. H. Van Royan, announced that his government was still considering the cease-fire order of December 24 and that the Indonesian leaders were "merely in protective custody", the Council passed by a vote of 8-0 with Britain, France, and Belgium abstaining, a resolution calling on the Dutch to free the Indonesian leaders immediately and to report to the Council on this matter within 24 hours. At the Council session on December 29, the United States took the position that no further action was required on the Indonesian question to bring out the fact of Dutch noncompliance, since the Netherlands delegate had already announced that the cease-fire order had not been complied with.

Kashmir

On January 5 the United Nations Commission on India and Pakistan with Ambassador J. Klahr Huddle representing the United States, issued a statement that the Governments of India and Pakistan had agreed to a plebiscite in the state of Jammu and Kashmir to determine the state's future status. A unanimous resolution of the Commission also commended the two governments for their endeavor to reach a friendly and peaceful solution of the Kashmir problem and for their prompt proclamation of the cease-fire. The resolution outlined the principles of the plebiscite which the two countries had accepted.

It was also resolved that the Commission would return to India in the immediate future.

INTERNATIONAL ORGANIZATIONS AND CONFERENCES

Calendar of Meetings¹

Adjourned During December		1948
United Nations: General Assembly: Third Session	Paris	Sept. 25-Dec. 11
UNESCO: General Conference: Third Session	Beirut	Nov. 17-Dec. 11
West Indian Conference: Third Session	Guadeloupe	Dec. 1-18
Seventh Meeting of the Caribbean Commission	Guadeloupe	Dec. 1-18
First Pan American Congress of Pharmacy	Havana	Dec. 1-8
Iro (International Refugee Organization): Meeting of Executive Council.	Rome	Dec. 7-10
In Session as of January 1, 1949		
ITU (International Telecommunication Union): International Conference on High Frequency Broadcasting.	Mexico City	Oct. 22-
Intergovernmental Working Party to Draft an Agreement for the Establishment of an International Authority for the Ruhr.	London	Nov. 7-
Scheduled for January		1949
United Nations:		
Security Council Commission on India and Pakistan	Lake Success	Jan. 3-
Ecosoc (Economic and Social Council): Fiscal Commission: Second Session.	Lake Success	Jan. 10-
Trusteeship Council: Fourth Session	Lake Success	January
Conciliation Commission for Palestine	Jerusalem	January
ICAO (International Civil Aviation Organization):		
Special Teletypewriter	Montreal	Jan. 4-
Communications Division	Montreal	Jan. 12-
Council: Sixth Session	Montreal	Jan. 18-
FAO (Food and Agriculture Organization): Meeting of Specialists on Hybrid Corn Production.	Rome	Jan. 10-
ILO (International Labor Organization): Permanent Migration Committee.	Geneva	Jan. 13-
ITU (International Telecommunication Union):		
Special Administrative Conference on Standard Loran	Geneva	Jan. 17-
Third Region Frequency Conference	Geneva	Jan. 17-
Preparatory Meetings to Discuss Form of Telegraph Regulations.	Geneva	Jan. 17-
International Telephone Consultative Committee: Meeting of Experts.	Geneva	January
International Wheat Conference	Washington	Jan. 25-
International Northwest Atlantic Fisheries Conference	Washington	Jan. 26-

¹ Prepared in the Division of International Conferences, Department of State.

Establishing an International Authority for the Ruhr, December 28, 1948¹

COMMUNIQUE ON SIX POWER MEETINGS

1. Representatives of Belgium, France, Luxembourg, the Netherlands, the United Kingdom and the United States have met in London to draft a detailed agreement establishing an International Authority for the Ruhr, as provided in the annex to the communique issued on June 7th, 1948, at the termination of the London Six-Power talks on Germany.² The delegates have completed a draft agreement which has now been submitted to their Governments for approval. The text of the draft agreement was made public on December 28.

2. The meeting, which was held in a friendly atmosphere throughout, carefully examined all aspects of the problems involved. It was recognised at the outset that a number of organisations are being established and arrangements being worked out with respect to Germany. The Ruhr Authority is one of them and should be viewed in this context. To avoid duplication of effort and overlapping of jurisdiction, each of these has its particular functions. Taken together they are designed to accomplish a threefold objective: to assure the disarmament and demilitarisation of Germany; to further the recovery of the countries of Europe, including a democratic Germany; and to promote that intimate association of their economic life which in the last analysis alone can assure a peaceful and prosperous Europe.

3. Among the arrangements designed to prevent aggression, the Military Security Board is one of the most important. The functions of this Board have recently been agreed upon in principle by the three Military Governors. They include provision for cooperation with the Ruhr Authority. The Board will have general responsibility for the maintenance of disarmament and demilitarisation in the interests of security. As regards industrial disarmament, the Board will act in accordance with agreements which are in the course of completion concerning the necessary prohibitions and limitations on German industry. It was recognized that a ceiling of 10.7 million tons on the production of crude steel is now in effect in the Bizonal Area.

4. In 1946, the United States Secretary of State, Mr. Byrnes, put forward certain ideas for assuring the effective disarmament and demilitarisation of Germany.³ It is anticipated that the objectives and mechanisms envisaged by Mr. Byrnes' proposal will, to the extent appropriate, form a basis for long-term disarmament and demilitarisation measures to be worked out through and

adapted to the Military Security Board or any other organisation established as its successor to perform these functions. These measures will be designed solely to prevent the revival of German aggression.

5. Within this framework it is the purpose of the Six Powers to provide the means by which a peaceful democratic Germany can be brought into the European community to play its part as a fully responsible and independent member. The participation of the Western Zones of Germany in the European Recovery Programme and in the Organisation for European Economic Cooperation already demonstrates the intention of the Western Powers to afford to Germany its place in the economic life of Europe.

6. With these various factors in mind, it has been a main objective of the Six Powers, in establishing the Ruhr Authority, to ensure that the resources of the Ruhr shall in the future be used not for purposes of aggression but solely in the interests of peace, and to provide for a closer co-ordination of the economic life of the countries of Europe, cooperating in the common good, including a democratic Germany.

7. During the period that the Occupation Authorities are exercising extensive economic functions in Germany, the decisions of the Authority will necessarily be carried out largely by or through the Occupation Authorities. As, however, they relinquish their functions, the Authority will be in more and more direct relationship with the German Government in the exercise of its functions.

8. A principal function of the Ruhr Authority is to make a division of the coal, coke and steel from the Ruhr as between German consumption and export, in order to provide adequate access to supplies of these products by countries cooperating in the common economic good, at the same time taking into account the essential needs of Germany. This division must, of course, be in conformity with existing international agreements. Thus, in the case of coal and coke the sliding scales drawn up in Moscow and Berlin continue in force.

¹ Released to the press simultaneously in London, Paris, and Washington on Dec. 28, 1948.

² BULLETIN of June 20, 1948, p. 807.

³ BULLETIN of May 12, 1946, p. 815, and Sept 15, 1946, p. 497.

9. The functions of the Ruhr Authority in the above field will be coordinated with the larger and more comprehensive operations of the O.E.E.C. in its work of promoting the economic rehabilitation of the countries participating in the European Recovery Programme.

10. The Authority will have powers to ensure that the German Authorities do not institute, carry out or permit artificial or discriminatory transport, price and trade practices, quotas, tariffs and similar governmental measures or commercial arrangements which would distort the movement of Ruhr coal, coke and steel in international trade, except for measures of protection approved by the Authority.

11. The Authority will furthermore be charged with responsibility for the safeguard and protection of foreign interests in the coal, coke and steel industries of the Ruhr in conformity with international agreements, in so far as these functions are not entrusted to another body for the whole of Germany.

12. Particular attention was paid to the question of giving the Authority powers of supervision over the management and direction of the Ruhr coal, coke and steel industries. The Coal and Steel Control Groups established by the British and American Occupation Authorities now have extensive powers over these industries, including powers over production, investment, development and other matters concerning management and direction. As is known, the French Authorities have been invited to join in the work of these Control Groups. It has been agreed that at the appropriate time such of these powers relating to the supervision of management and direction as the Six Powers consider necessary to achieve their purposes with respect to the security and well-being of Europe will be transferred to the Ruhr Authority or to the Military Security Board or its successor or to some other international body. These would be powers of supervision over production, investment and development and would not be powers of detailed control which would unduly interfere with the normal and regular responsibilities of management. The conditions under which these powers will be transferred, and the manner in which they will be exercised, will be determined as soon as practicable in the light of experience acquired over a period of time under the present Control Groups. It is further understood that any powers transferred to the Authority in this connection under Article 19 for economic as opposed to agreed security purposes will be transferred for the purpose of contributing toward that closer association of the economies of Europe which the Six Powers have set out as one of their objectives in the preamble to the agreement. It was agreed that the powers to be continued should also be adequate to prevent the revival of excessive economic concentration in the

coal, coke or steel industries of the Ruhr and to prevent persons who furthered the aggressive designs of the Nazis from acquiring ownership interests or positions of direction and management in those industries. The agenda of the meeting did not include the question of the final ownership of the industries concerned and this question is in no way affected by the discussions or the draft agreement.

13. The Authority will have the right to obtain information necessary to enable it to perform its functions, including adequate rights of inspection and investigation.

14. The Authority will consist of a Council composed of representatives of the member Governments and will have a permanent Secretariat.

15. As soon as a German Government is established, it will have the opportunity of acceding to the Agreement, the vote for Germany being exercised meanwhile by the Occupation Authorities. When a German Government has undertaken the full obligations of its membership, it will enjoy full voting rights except in matters of security and default.

16. The Authority, if its decisions and directives are not properly respected by the German Government, may find the latter in default and make recommendations as to the action to be taken.

17. The Authority will submit an annual report on its work which will normally be followed by a meeting of specially appointed representatives of member governments to review the report and the work of the Authority. Any two or more members, who consider that the policies of the Authority are not consistent with the purposes for which it was created, may call for a special examination of its operations by the member governments. Germany may not initiate such examinations in matters relating to security.

18. In the past the resources of the Ruhr have been used for the purposes of aggression. The six Governments are determined that, through the security measures referred to above, any recurrence of such a situation shall be prevented. They are equally aware that the political and economic welfare of Europe requires the full and effective use of the industrial production of the Ruhr and the participation of a democratic Germany in the comity of nations, all enjoying a reasonable standard of prosperity. The establishment of the Ruhr Authority is an innovation in the international economic field. It is not being set up to limit free competition by European industries in the markets of the world. It has a constructive function to fulfill in promoting the general economic well-being of Europe and in re-establishing international confidence. If operated wisely, the Ruhr Authority may be regarded as a further contributory step towards a more intimate economic association among the countries of Europe.



TEXT OF DRAFT AGREEMENT

Whereas international security and general economic recovery require:

that the resources of the Ruhr shall not in the future be used for the purpose of aggression but shall be used in the interests of peace;

that access to the coal, coke and steel of the Ruhr, which was previously subject to the exclusive control of Germany, be in the future assured on an equitable basis to the countries cooperating in the common economic good;

Whereas it is desirable for the political and economic well being of the countries of Europe cooperating in the common economic good, including a democratic Germany, that there be close association of their economic life;

Whereas it is important that trade between the countries mentioned in the preceding paragraph should be facilitated by lowering trade barriers and by any other means;

Now therefore, in furtherance of the foregoing purposes and in order to establish an international control in the Ruhr in conformity with the agreed statement of principles contained in Annex C to the Report signed in London on the first day of June, 1948^{*} at the conclusion of the Six Power Talks on Germany, the Governments of Belgium, France, Luxembourg, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America have agreed as follows:

Part I: The Authority

Article 1

There is hereby established an International Authority for the Ruhr, hereinafter referred to as the "Authority", the composition, powers and functions of which are as set forth herein.

Article 2

The members of the Authority shall be the Signatory Governments and Germany.

Article 3

The Authority shall consist of a Council composed of representatives of the Signatory Governments and, subject to the provisions of Article 4, of Germany. The Council shall be assisted by a Secretariat, headed by an Executive Secretary. The members shall also appoint alternate representatives.

Article 4

(a) When a German Government is established, it may appoint a delegate to the Authority with the right to attend meetings of the Council. At such time as the German Government becomes entitled to cast the votes allocated to Germany, as

provided in Article 9 (c), it may appoint a representative on the Council and an alternate.

(b) The Occupation Authorities concerned shall be represented at the Council by one of their nationals jointly designated by them, until such time as the votes allocated to Germany are cast by the German representative.

Article 5

The Headquarters of the Authority shall be at such place in Land North Rhine - Westphalia as the Council may determine.

Article 6

(a) Each member will pay the expenses of its own representation. Costs of travel on business of the Authority shall, however, be borne by the Authority.

(b) The expenses of the Authority shall be defrayed by the members in proportions corresponding to the votes allocated to such members.

(c) Until the Occupying Powers decide otherwise, the expenses of the German representation and the share of the expenses of the Authority to be defrayed by Germany shall be met in such manner as may be determined by the Occupation Authorities concerned.

Part II: Internal Organization and Procedure

Article 7

The Council shall hold such regular and special meetings as are necessary to the performance of its functions.

Article 8

The Chairmanship of the Council shall be held in rotation for periods of six months each, in such order as the Council shall determine, by the representatives of the Signatory Governments. The representative of the Government of the United Kingdom shall take the chair until the Council has determined the order of rotation.

Article 9

(a) The voting rights of the several members of the Authority in its Council shall be:

Belgium	1 vote
France	3 votes
Germany	3 votes
Luxembourg	1 vote
The Netherlands	1 vote
The United Kingdom	3 votes
The United States	3 votes

(b) Eight favorable votes shall be sufficient for every decision of the Authority, except as provided in Articles 13, 14, 17 and 24.

(c) The votes allocated to Germany shall be cast as a unit by the joint representative of the Occupation Authorities concerned appointed as pro-

^{*} BULLETIN of June 20, 1948, p. 807.

vided in Article 4, until the Occupying Powers concerned determine that the German Government, by accession or by other means, has assumed the responsibilities placed upon Germany by the present Agreement. Thereafter such votes shall be cast by the German representative.

Article 10

(a) The Executive Secretary will be appointed by the Council, will serve as head of the Secretariat, will act under the instructions of the Council and will perform such duties as the Council shall determine. He will be entitled to participate, without right of vote, in all meetings of the Council, shall keep minutes of its meetings and shall maintain a register of its decisions.

(b) The Executive Secretary shall appoint his staff in accordance with staff regulations drawn up as provided in Article 13. In his choice of staff he will be guided by the need for securing the highest standards of integrity, efficiency, independence and technical competence. The Council shall ensure that there is no undue concentration of posts in the hands of persons of any one nationality.

(c) The responsibilities of the Executive Secretary and of the staff shall be exclusively international in character. In the discharge of their duties, they shall not seek or receive instructions from any government or from any authority other than that constituted by the present Agreement. They shall refrain from any action which might prejudice their position as international officials. Each member of the Authority undertakes to respect the international character of the responsibilities of the Secretariat and will not seek to influence the Executive Secretary or his staff in the discharge of their duties.

Article 11

The annual budget shall be prepared by the Executive Secretary for approval by the Council.

Article 12

The Authority shall conduct its business in English, French and German, of which English and French shall be the official languages. Authoritative German texts of documents shall be provided as necessary.

Article 13

Immediately after the present Agreement comes into force the first meeting of the Authority shall be convened by the Government of the United Kingdom for the purpose of drawing up rules of procedure and operation, choosing an Executive Secretary, organizing its Secretariat and establishing staff regulations. Decisions on such matters, and any subsequent modifications of those decisions, shall require twelve affirmative votes.

January 9, 1949

Thereafter the setting up of the organization shall proceed as rapidly as possible and the Authority shall begin to exercise its functions at times to be established by the Occupying Powers after consultation with the other Signatory Governments, but in any event prior to the establishment of a German Government.

Part III: Functions

Article 14

(a) The Authority shall make a division of coal, coke and steel from the Ruhr as between German consumption and export. Such division shall:—

(i) ensure adequate access to supplies of these products by countries co-operating in the common economic good, taking into account the essential needs of Germany;

(ii) be in accordance with the terms of any agreement among the Occupying Powers with respect to the allocation of coal, coke or steel, which is in force at the time the division is made;

(iii) be consistent with the objectives set forth in the Convention for European Economic Co-operation and with any program approved, or decision taken, by the Organization for European Economic Co-operation, which is applicable to the period for which such division is made.

(b) The export allocations of the Authority shall be in terms of minimum amounts of coal, coke and finished or semi-finished steel to be made available from the Ruhr for export. The Authority shall have the power to express these export allocations in terms of various qualities or types of coal, coke and finished or semi-finished steel. Exceptionally, the Authority may make an allocation of pig-iron if at any time it decides by twelve affirmative votes that such an allocation is necessary in order to ensure adequate access to supplies of pig-iron. In making export allocations of finished or semi-finished steel, the Authority shall be bound by, and shall act within, any agreements relating to the level of steel production in Germany which are in force at the time and to which the Occupying Powers concerned are party.

(c) Before the Authority begins to exercise its functions under this Article, it will agree with the Occupation Authorities concerned on a procedure for co-ordinating the decisions of the Authority with the preparation of proposed programs and plans for submission to the Organization for European Economic Co-operation. This procedure shall be reviewed at any time at the request of any member, and in any case at the end of the Control Period or at such earlier time as may be agreed upon by the Occupying Powers.

Article 15

The Authority shall have the right to examine

transport, price and trade practices, quotas, tariffs, and other governmental measures or commercial arrangements instituted or permitted by the German authorities which affect the coal, coke or steel of the Ruhr. If the Authority determines that such practices, measures or arrangements are artificial or discriminatory and are of such a nature as:—

- (i) to impede access by other countries to the coal, coke or steel of the Ruhr,
- (ii) to distort the movements of Ruhr coal, coke or steel in international trade, or
- (iii) otherwise to prejudice the accomplishment of the purposes of the present Agreement,

the authority shall decide that such practices, measures or arrangements shall be appropriately modified or terminated. In making its determinations under this Article the Authority shall have due regard for the requirements of international peace and security, for Germany's obligations under the Convention for European Economic Co-operation, and for the need of the German authorities to afford legitimate protection to the commercial and financial position of Germany in international trade.

Article 16

(a) During the Control Period, or until such earlier time as may be agreed upon by the Occupying Powers, the Authority shall bring to the attention of the Occupation Authorities concerned measures which would ensure, and after such period or time the Authority shall itself ensure, in conformity with any international agreements relating to the protection of foreign interests in Germany in force at the time, to which the Signatory Governments are party,

(i) the safeguard and protection of foreign interests in coal, coke and steel enterprises in the Ruhr, and

(ii) the protection of such enterprises involving foreign interests from the application of discriminatory measures in any sector of their activity;

provided that when and to the extent that the protection of such foreign interests or enterprises is entrusted to any agency created or designated by any international agreement to which the Signatory Governments are party, the functions of the Authority in this matter shall cease.

(b) At the end of the Control Period, or at such earlier time as may be agreed upon by the Occupying Powers, the functions of the Authority referred to in paragraph (a) of this Article shall, unless they have previously ceased, be reviewed by the Signatory Governments, taking into account the desirability of transferring these functions to a separate agency or of extending them to the Aachen area.

Article 17

(a) During the Control Period, or until such earlier time as may be agreed upon by the Occupying Powers, the Occupation Authorities concerned will maintain such powers as may be necessary to enforce the disarmament of Germany, including power to control the supply of Ruhr coal, coke and steel to any industry which may be prohibited or limited in the interests of security by agreement among the Occupying Powers or under the terms of any international agreement to which they may become party.

(b) At the end of the Control Period, or at such earlier time as may be agreed upon by the Occupying Powers, the powers referred to in paragraph (a) of this Article shall be transferred to such international body as may be designated for these purposes by the peace settlement or by any international agreement to which the Signatory Governments are party, and the Authority shall cooperate with that international body in such ways as shall be prescribed by the peace settlement or international agreement. If no such international body is established, these powers shall be transferred to the Authority to be exercised by the representatives of the Signatory Governments thereon.

Article 18

(a) At the end of the Control Period, or at such earlier time as may be agreed upon by the Occupying Powers, such of the existing powers of the Occupation Authorities as are necessary to ensure:

(i) that there shall not be allowed to develop, or be restored, any pattern of ownership in the Ruhr coal, coke or steel industries, or trade and marketing agreements among such industries, which would constitute excessive concentration of economic power;

(ii) that persons who have been, or may be, found to have furthered the aggressive designs of the National Socialist Party do not hold positions of ownership or control in the Ruhr coal, coke or steel industries or the trade and marketing organizations of such industries; and

(iii) that adequate information is made available for the purposes specified in sub-paragraphs (i) and (ii) above,

will be transferred to the Authority or to the Military Security Board or its successor or to some other body created by international agreement and charged with ensuring the achievement of these objectives with respect to these and other industries in Germany. The Authority shall cooperate with any other body to which such powers may be transferred.

(b) In conjunction with the first meeting of the special representatives of the members contemplated in Article 27, if practicable, but in any

event before the end of the Control Period, the Signatory Governments will determine, in the light of the experience of the Occupation Authorities;

(i) which of the existing powers of the Occupation Authorities are to be continued for the purposes provided for in paragraph (a) of this Article; (ii) whether such powers will be transferred to the Authority, the Military Security Board or its successor, or some other body created by international agreement;

(iii) the manner in which such powers will be exercised if transferred to the Authority; and, (iv) in the event of powers being so transferred to another body, the manner in which the Authority will cooperate with such other body.

Article 19

(a) At the end of the Control Period, or at such earlier time as may be agreed upon by the Occupying Powers, only such of the existing powers of the Occupation Authorities over the direction and management of the Ruhr coal, coke or steel industries as are necessary to ensure:

(i) that the general policies and general programs relating to production, development and investment in those industries are in conformity with the purposes stated in the preamble to the present Agreement and

(ii) that adequate information concerning such policies and programs be made available,

will be transferred to the Authority, to the Military Security Board or its successor, or to some other body created by international agreement.

(b) In conjunction with the first meeting of the special representatives of the members contemplated in Article 27, if practicable, but in any event before the end of the Control Period, the Signatory Governments will determine, in the light of the experience of the Occupation Authorities:

(i) which of the existing powers of the Occupation Authorities are to be continued for the purposes provided in paragraph (a) of this Article;

(ii) which of these powers will be exercised by the Authority, by the Military Security Board or its successor, or by some other body created by international agreement;

(iii) the manner in which powers transferred to the Authority will be exercised; and

(iv) the relationship of the Authority with the Military Security Board or its successor, or with any other body to which the powers mentioned in paragraph (a) of this Article may be transferred.

Part IV: Information and Investigation

Article 20

In order that the Authority may properly perform its functions and in order that it may deter-

mine whether its decisions are being appropriately carried out, the Authority shall have the right:

(i) to obtain periodical reports, and such additional reports as it considers necessary, on production, distribution and consumption of Ruhr coal, coke and steel, including such forecasts of production, distribution and consumption as may be necessary to enable it to perform its functions under Article 14;

(ii) to obtain such information as it considers necessary concerning supplies of coal, coke and steel available to Germany from sources other than the Ruhr, and concerning exports from Germany of such products from sources other than the Ruhr; and

(iii) to make in the Ruhr any investigations, including the examination of witnesses, which it considers necessary to verify the information obtained under this Article or other Articles of the present Agreement, and to determine the manner in which its decisions are being carried out, provided that similar investigations may also be made in other parts of Germany under a special procedure to be established in accordance with Article 13.

In the exercise of these rights, the Authority may make enquiries of individuals, including public officials, and public or private organizations, enterprises and firms, and may examine records and installations.

Part V: Execution of Functions

Article 21

(a) During the Control Period, or until such earlier time or times as may be agreed upon by the Occupying Powers, the Authority shall transmit its decisions under Articles 14 and 15 and its recommendations under Article 16 to the Occupation Authorities concerned.

(b) After the Control Period, or after such earlier time or times as may be agreed upon by the Occupying Powers, the Authority shall transmit its decisions under Articles 14 and 15 and its directions under Article 16 to the German Government.

Article 22

During the Control Period, or until such earlier time or times as may be agreed upon by the Occupying Powers, the Occupation Authorities concerned will:

(i) ensure that the decisions of the Authority under Article 14 are carried out except in so far as, in the judgment of the Occupation Authorities concerned, they require modification in order to make them consistent either with any agreement between two or more of the Occupying Powers relating to financial assistance to Germany which

is in force at the time, or with any Agreement among the Occupying Powers with respect to the allocation of coal, coke or steel which is in force at the time;

(ii) ensure that the decisions of the Authority under Article 15 are carried out;

(iii) inform the Authority of measures taken as the result of its recommendations under Article 16;

(iv) take such action as is necessary to enable the Authority to exercise the rights provided for in Article 20; and

(v) ensure the enjoyment of the privileges and immunities provided for in Article 28.

Article 23

After the Control Period, or after such earlier time or times as may be agreed upon by the Occupying Powers, the German Government shall:

(1) ensure that the decisions of the Authority under Articles 14 and 15 and the directions of the Authority under Article 16 are carried out, and that any powers transferred to the Authority under Articles 17, 18 and 19 can be effectively exercised;

(ii) take such action as is necessary to enable the Authority to exercise the rights provided for in Article 20; and

(iii) ensure the enjoyment of the privileges and immunities provided for in Article 28.

Part VI: Default

Article 24

(a) Should the German Government fail to take any action as required by Article 23 of the present Agreement, the representatives of the Signatory Governments on the Authority may serve notice in writing upon the German Government, which notice shall afford the German Government an opportunity, within a time determined by such representatives to be reasonable, to appear and present reasons why it should not be declared in default.

(b) If the German Government does not present reasons satisfactory to the representatives of the Signatory Governments, such representatives may declare the German Government in default and in that event shall inform the German Government in writing of their decision. Such representatives shall then make recommendations as to the necessary and appropriate measures to be applied.

(c) Should the representatives of the Signatory Governments decide that the German Government is taking, or permitting, action which if permitted to continue might frustrate the proper exercise of the functions of the Authority, and that it is expedient that such action should be suspended pending further investigation by the Authority

and the formulation of a decision or direction, such representatives may serve preliminary notice in writing upon the German Government that such action shall be suspended, with immediate effect, for such a period as may seem appropriate, pending further consideration by the Authority.

(d) The German Government may, within fifteen days of the service of the preliminary notice in accordance with the provisions of paragraph (c) of this Article, request that the notice be set aside, and in that event shall be afforded a hearing at such time and place as may be determined by the representatives of the Signatory Governments. If the German Government fails to comply with the preliminary notice after:—

(i) a hearing has been held and such representatives have notified that Government that their decision has been maintained;

(ii) having failed to appear for a hearing at the time and place established; or

(iii) fifteen days have elapsed and no request that the notice be set aside has been made,

such representatives may without further formality declare the German Government in default and in that event shall inform that Government in writing of their decision. Such representatives shall then make recommendations as to the necessary measures to be applied.

(e) All decisions under this Article shall be reached by a majority of the votes allocated to the representatives of the Signatory Governments.

(f) During the Control Period, the recommendations provided for in paragraphs (b) and (d) of this Article shall be made to the Occupation Authorities.

(g) After the end of the Control Period, the recommendations provided for in paragraphs (b) and (d) of this Article will be made to the Signatory Governments. The measures recommended will be applied in accordance with the relevant provisions of the peace settlement or any international agreement to which the Signatory Governments are party.

Part VII: General Provisions

Article 25

The Authority may establish such formal or informal relationship with the United Nations and its subsidiary bodies, and with the Specialized Agencies and with other intergovernmental bodies, as may facilitate the performance of its functions.

Article 26

The Powers of the Authority will not be exercised for the purpose of protecting the commercial or competitive interests of any country, nor for the purpose of preventing peaceful technological development or increased efficiency.

Article 27

(a) One year after entering upon its functions and thereafter at annual intervals the Authority shall make a written report to the members on every aspect of its work. After the receipt by the members of such annual report there shall be held, unless all the Signatory Governments decide otherwise, a meeting of special representatives of the members for the purpose of reviewing the report and the work of the Authority.

(b) Except as provided in paragraph (c) of this Article, any two or more members of the Authority which, at any time, believe that the course of action or the policies initiated by the Authority are inconsistent with the purposes of the present Agreement, may give notice in writing to this effect to all other members of the Authority specifying the particulars which they consider to constitute such inconsistency. Upon receipt of such notice, the members shall consult together with respect to the complaint and shall take such action as may be required in the circumstances to accomplish a solution of the matter, including, where appropriate, such arbitration or judicial settlement as may be agreed by such members.

(c) A notice of complaint with respect to a course of action or policies initiated by the Authority for reasons of disarmament, demilitarization or denazification may only be given when supported by two members of the Authority other than Germany.

(d) Nothing in this Article shall be construed to affect the provisions of Articles 13 or 33 of the present Agreement.

Part VIII: Privileges and Immunities**Article 28**

(a) The Authority and its assets, income and other property shall enjoy in Germany the same privileges, immunities and facilities as are provided for the United Nations by the General Convention on Privileges and Immunities of the United Nations.

(b) During the Control Period, or until such earlier time as may be agreed upon by the Occupying Powers, the representatives of the Signatory Governments and their staffs and members of the staff of the Authority other than German nationals, and the dependents of such persons, shall enjoy in Germany the same privileges and immunities as are enjoyed by the official personnel of the Occupation Authorities. Thereafter all such persons shall enjoy in Germany the same privileges and immunities as are provided for persons of comparable status by the General Convention on Privileges and Immunities of the United Nations.

(c) German nationals on the staff of the Authority shall be immune from legal process in re-

spect of words spoken or written and all acts performed by them in their official capacity.

Part IX: Definitions**Article 29**

For the purposes of the present Agreement:

(i) the expression "*Ruhr*" means the areas, as presently constituted, in Land North Rhine-Westphalia, listed in the Annex to this Agreement;

(ii) the expression "*Signatory Governments*" means the governments named in the last paragraph of the preamble;

(iii) the expression "*Occupying Powers*" means the Government of France, the Government of the United Kingdom and the Government of the United States;

(iv) the expression "*Occupation Authorities*" means the Occupying Powers' representatives in Germany who are exercising responsibility for the Occupation of Germany on behalf of their Governments;

(v) the expressions "*Occupying Powers concerned*" and "*Occupation Authorities concerned*" mean those Occupying Powers or Occupation Authorities which share the responsibility for the economic administration of that part of Germany which includes the Ruhr;

(vi) the expression "*Control Period*" means the period during which supreme authority is vested in the Occupying Powers;

(vii) the expression "*German Government*" means any federal government, including a provisional federal government, in Germany which is approved by the Occupying Powers;

(viii) the expression "*coal*" means hard coal, soft coal, "Pechkohle" and lignite in all their forms, and agglomerates of these products;

(ix) the expression "*coke*" means solid fuels derived from distillation of coal, including semi-coke or other special cokes in whatever form;

(x) the expression "*steel*" means all hot and cold finished rolled or drawn steel products, including tubes, with or without steel mill extras, all finished steel forgings and finished steel castings, machined or unmachined, in carbon and alloy grades, ingots, semi-finished steel products, ferro-alloys and pig-iron of any type;

(xi) the expressions "*finished steel*" and "*semi-finished steel*" include all forms of steel mentioned in the preceding definition except ingots, ferro-alloys and pig-iron.

Part X: Final Clauses**Article 30**

The present Agreement shall come into force as soon as it has been signed on behalf of the Government of Belgium, the Government of France,

the Government of Luxembourg, the Government of the Netherlands, the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States of America.

Article 31

As soon as a German Government has been established, it may accede to the present Agreement by executing an instrument containing such undertakings with respect to the assumption of the responsibilities of the German Government under the Agreement and such other provisions as may be agreed by the Signatory Governments.

Article 32

The present Agreement shall, subject to the provisions of Article 33, continue in force until the coming into effect of a peace settlement for Germany and thereafter as provided in such peace settlement.

Article 33

The present Agreement may be amended by the agreement of all the Signatory Governments on the recommendation of the Authority. As long as the special relation of the Occupying Powers towards Germany continues, the present Agreement may be terminated by those Powers, subject to prior consultation with the other Signatory Governments. Thereafter it may be terminated by the agreement of all the Signatory Governments.

Article 34

The English and French texts of the present Agreement are authentic.

Article 35

The original of the present Agreement shall be

deposited with the Government of the United Kingdom, which will transmit certified copies thereof to each of the Governments on behalf of which it is signed, and it shall be registered with the Secretary-General of the United Nations.

Done at this day

In witness hereof the undersigned representatives, duly authorized by their respective governments, have signed this Agreement on the dates appearing opposite their signatures.

Annex

<i>In Regierungsbezirk Duesseldorf:</i>	<i>In Regierungsbezirk Arnsberg:</i>
(1) Landkreis Dinslaken	(1) Landkreis Ennepe-Ruhrkreis
(2) " Duesseldorf-Mettmann	(2) Landkreis Iserlohn
(3) Landkreis Essen	(3) " Unna
(4) " Geldern	(4) Stadtkreis Bochum
(5) " Krefeld-Uerdingen	(5) " Castrop-Rauxel
(6) Landkreis Moers	(6) Stadtkreis Dortmund
(7) " Rees	(7) Stadtkreis Hagen
(8) Stadtkreis Duesseldorf	(8) " Hamm
(9) " Duisburg-Hamborn	(9) " Herne
(10) Stadtkreis Muelheim	(10) " Iserlohn
(11) " Neuss	(11) " Luenen
(12) " Oberhausen	(12) " Wanne-Eickel
(13) " Remscheid	(13) Stadtkreis Watten-scheid
(14) " Solingen	(14) Stadtkreis Witten
(15) " Wuppertal	
<i>In Regierungsbezirk Muenster:</i>	
(1) Landkreis Beckum	
(2) " Luedinghausen	
(3) Landkreis Recklinghausen	
(4) Stadtkreis Bottrop	
(5) " Gelsenkirchen	
(6) " Gladbeck	
(7) " Recklinghausen	

CFM Meeting Proposed To Resume Austrian Treaty Negotiations

[Released to the press December 24]

Text of the message transmitted by the U.S. Deputy, Samuel Reber, for the Austrian treaty negotiations to the Secretary General of the Council of Foreign Ministers in London

The Austrian Government has informed the United States Government that favorable replies have now been received from the four governments represented on the Council of Foreign Ministers to its note of December 6 requesting them to resume negotiations on the Austrian Treaty

with a view to finding an appropriate basis for their continuation and the early completion of the Treaty reestablishing Austrian independence.¹ The United States Deputy, as chairman of the next meeting, requests that a message be sent to the Governments of the United Kingdom, France, and the Soviet Union proposing that the Deputies meet in London on or about February 7, 1949 for this purpose. The United States Deputy further requests that the Secretary General make available to the Austrian Government a copy of this proposal and the replies received from the other three governments.

¹ BULLETIN of Dec. 19, 1948, p. 77.

Coordinating Foreign Aid

BY GEORGE C. MCGHEE¹

Coordinator for Aid to Greece and Turkey

Introduction

In Roman mythology, Janus was the god who looked two ways and was often pictured as having two heads. The subject assigned me, the impact of foreign commitments upon the coordinative responsibilities of the Department of State, is two-headed in that it should include discussion of the nature of the foreign commitments which have been undertaken by the Government, as well as the ways in which the Department of State, in the light of its role among the executive agencies of the Government, has adapted itself to meet its coordinative responsibilities arising out of these commitments.

As coordinator of the Greek-Turkish Aid Program, I have been concerned with the carrying out of a particular foreign commitment. As an officer of the Department of State, I have known intimately the impact of the program on the responsibilities of the State Department for coordinating the best advice and resources of the Executive establishment in carrying out the program. My contribution to this panel, therefore, lies best in relating the conduct of the Greek-Turkish assistance program to the coordinative role of the State Department in foreign affairs.

I should like to approach this problem, first, by discussing the background of law and tradition under which the Department of State undertakes coordinative responsibilities, then by outlining the methods by which coordination is achieved, and, finally, by giving you a case study in the Greek-Turkish Aid Program together with such conclusions as can be deduced from it. The Greek-Turkish Aid Program provides for purpose of illustration a wide range of decisions and experiences which are for the most part applicable to the later European Recovery Program and to other subsequent programs of economic defense assistance. The Greek-Turkish Aid Program provided a test of the State Department's ability to exercise leadership in a relatively new type of foreign operation. Because we were working against time we had to learn while we were getting things done.

I. Historical Background

Under the Constitution it is the President who is empowered, with the advice and consent of the Senate, to make treaties with other governments and to appoint and receive ambassadors, public ministers, and consuls. The Department of State

was created on July 27, 1789, as the Department of Foreign Affairs, to assist the President in the making and execution of foreign policy. Its organic law states that the Secretary for the Department of Foreign Affairs "shall perform and execute such duties as shall from time to time be enjoined on or entrusted to him by the President of the United States, agreeable to the Constitution, relative to correspondences, commissions or instructions to or with public ministers or consuls, from the United States, or to negotiations with public ministers from foreign states or princes, or to memorials or other applications from foreign public ministers or other foreigners, or to such other matters respecting foreign affairs, as the President of the United States shall assign to the said department; and furthermore, that the said principal officer shall conduct the business of the said department in such manner as the President of the United States shall from time to time order or instruct."

As organized in 1806 under Secretary Madison the State Department consisted of eight persons with more domestic than foreign responsibilities. Although the State Department has at present approximately 7,200 employees in this country and approximately 12,000 abroad, its early growth was gradual. The total number of personnel employed in this country in 1870 was only 52; in 1909, 209; and in 1938, 963. Its most rapid growth was during the recent war, when it increased from 2,755 employees in 1943 to 7,623 in 1946, exclusive of the Foreign Service. Madison's associates were all classified as clerks. At the present time the State Department organization includes an Under Secretary, a Counselor, 6 Assistant Secretaries, 18 Offices, and 72 Divisions.

The increase in size and organizational complexity of the Department of State is a consequence of the phenomenal growth of this country and our emergence as one of the two great world powers. It is also a result of the growing complexity of intergovernmental relations arising out of the increasing economic interdependence of the nations of the world, the rapid development of communications and transportation, the growth of world populations, the increase in the number of separate states, and the increasing complexity of political, social, and economic organizations

¹ Address delivered before the American Political Science Association in Chicago on Dec. 29, 1948, and released to the press on the same date.

within the various states which impinge on international relations. As a result, the Department of State, as the principal organ of government assisting the President in the conduct of foreign affairs, has faced problems of increasing number and complexity and has had to grow and to adjust its organization and philosophy to the changing world environment. The State Department can be likened to a great "gear mechanism", which seeks to mesh the 145 million American people in all their many aspects—their wants, hopes, fears, and ambitions—to the 2 billion people in the rest of the world. Almost every problem facing the individual American has some foreign-policy repercussion; each American is in a multitude of ways related directly or indirectly to the citizens of every other nation.

Relations between nations in the nineteenth century were relatively leisurely, usually carried on between two nations at a time and involving essentially political problems which were approached through the exercise of the "art" of diplomacy and through clever manipulations of power on the part of trained diplomats. The foreign-policy objectives of this country were limited, were essentially negative in character, and were largely calculated to keep us out of European conflicts. Today we deal not only with individual nations but increasingly with groups of nations, particularly through the United Nations. We have vital interests all over the world and are engaged in a number of positive foreign programs calculated to achieve certain definite foreign-policy objectives. More and more of the problems facing the State Department, even though they may have strong political implications, can be solved only by specialists on a more or less technical basis. This tendency is particularly well illustrated by the rapid growth of personnel in the economic offices of the Department of State from 4 persons in 1933 to over 500 today, indicating the extent to which economic matters constitute the substance of today's foreign relations.

II. Coordinative Role of the Department of State

The increasing complexity and specialization in relations with other countries means that the public, the Congress, and the other agencies of government are more and more involved in foreign affairs, which raises the important question of what the real role of the Department of State is in the conduct of foreign affairs. The organic law of the State Department leaves its responsibilities largely undefined. It is obvious that although the Department of State is the principal agency dealing with foreign affairs it is not responsible for the conduct of all foreign affairs in behalf of the Executive branch of the Government. This must be the final responsibility of the President. Indeed, Congress has by statute and the President by Executive Order assigned cer-

tain definite responsibilities to other departments, such as the responsibility of the Civil Aeronautics Board to recommend issuance of foreign-carrier permits and of the Federal Communications Commission in the regulation of foreign commerce in wire and radio communications. The formulation of foreign policy is intimately related to domestic policy; and public opinion, the Congress, and the other Executive agencies must play important roles.

A basic responsibility of the State Department is in the exercise of the techniques whereby foreign relations are conducted, through representation in foreign countries and negotiations with other governments. In addition the Department of State performs, as a result of law and tradition, certain administrative functions such as the issuance of passports. It is the principal channel of information with respect to other countries. The Presidents also have from time to time assigned the State Department certain specific responsibilities to assist them in the conduct of foreign affairs, such as the execution of the Greek-Turkish Aid Program.

As a result of factors which have been previously discussed, representatives of the State Department must deal more and more with foreign-policy problems which have specialized and technical aspects, which may in themselves be the responsibility of some other agency of our Government. Moreover, in fulfilling its own responsibilities, it has become increasingly necessary for the Department of State to coordinate the technical aspects of the problems that constitute the grist of foreign relations with the other aspects of these problems. This need for coordination has made it increasingly necessary for officers of the Department to understand, if not to judge, the technical issues involved. It is this coordinative role of the State Department, with respect both to the public and to the rest of the government, that I shall, in accordance with the subject assigned, seek to develop.

Some idea of the task of the State Department in relating public opinion to the conduct of foreign affairs is indicated by the fact that it has liaison arrangements with some 500 private organizations covering all fields of American activity and thought. These organizations have their own special viewpoints and interests which must be taken into consideration in the formulation of national foreign policy. In addition, the Department maintains liaison with editors, publishers, writers, and commentators and evaluates public opinion as expressed by the hundreds of thousands of letters from private citizens coming annually into the Department, from opinion polls and editorial comment. It has been necessary to create a special office, the Office of Public Affairs, to deal with the organizations, to answer the public's inquiries about the State Department and its poli-

cies, and to interpret public opinion for the officers of the State Department.

American business and industry, including both individual corporations and their trade organizations, have a stake in foreign policy. The Department of State usually looks to the Department of Commerce, the Department of Agriculture, and other responsible agencies of government to represent domestic interests under their jurisdiction. However, it has in some cases been necessary, because of the complexity of the foreign-policy problems still remaining to the State Department, to set up special coordinative staffs, such as the Aviation and Petroleum Divisions, to deal with problems of particular industries.

Some idea of the complexity of the coordinative role of the Department of State within the Federal Government will be derived from the fact that there are in addition to the Congress eight departments, ten independent agencies, and ten interdepartmental agencies which have responsibilities bearing upon foreign relations. Many of these, like the Departments of Commerce and Agriculture, have created separate offices to handle their foreign relations and work very closely with the State Department on a day-to-day basis. As of June 30, 1948, the other departments and agencies were responsible for some 28 percent of personnel employed by this Government abroad, excluding those engaged in occupation of enemy countries. During the last fiscal year only 25 percent of the United States representatives in 394 international meetings were from the Department of State. The Congress has, in recent years, taken a keen interest in the conduct as well as in the formulation of foreign policy. Members of the congressional committees concerned and their staffs maintain constant contact with the Department of State.

In effecting coordination with and between the other agencies of government concerned with foreign relations, the Department has developed no startling new technique, no trick or device that renders the problem much easier. A great deal of coordination is achieved bilaterally with the appropriate officers of the agency involved over the telephone or through direct liaison, correspondence, or regular or *ad hoc* meetings. The role of meetings in the conduct of government is well known and has probably not changed greatly since Sir Francis Bacon used and described them so effectively. Increasing utilization has, however, been made of that time-tried device, the interdepartmental committee—the application of the multilateral principle of interagency relations which has proved particularly effective within the framework of our democratic institutions. Utilization of this technique has, moreover, been rendered more effective by the State Department Executive Secretariat. Without attempting to influence policy decisions, this professional group

facilitates operations of most State Department-chairmanned committees, often eliminating unnecessary meetings, through careful preparation of agenda, pointing up of policy issues, taking of minutes, and systematic handling of committee papers.

There are 33 interdepartmental committees that consider some aspect of foreign affairs, in addition to 142 subcommittees. Of these the State Department is chairman of some 20, in which the primacy of the foreign-policy interest is recognized. Of increasing importance in the conduct of foreign relations during the postwar years, particularly in the fields of national security and international finance, has been the creation of certain cabinet-level committees: the National Advisory Council created by the Bretton Woods Agreements Act of 1945, and the National Security Council and National Security Resources Board created under the National Security Act of 1947. These committees reflect the fact that the problems with which they deal lie beyond the coordinative responsibility of the State Department.

Although most coordination by the State Department is done through the regular country or economic offices, there are certain specialized postwar activities of our Government for which the Department of State has been made responsible which cut across so many departmental lines as to require the creation within the State Department of special offices or coordinators, with appropriate staffs, to carry them out. The principal responsibilities of this nature include:

1. Primary responsibility for relations with the United Nations and its specialized agencies and with other international organizations.
2. Responsibility for liquidation of surplus war property abroad.
3. Responsibility for formulation of policy with respect to occupied areas.
4. Responsibility for operation of foreign informational and educational-exchange programs.
5. Responsibility for certain foreign-assistance programs, including the Greek-Turkish Aid Program, the Philippine Rehabilitation Program, and the Institute of Inter-American Affairs.

III. The Greek-Turkish Aid Program as a Case Study

Let us now examine the Greek-Turkish Aid Program as an example, or "case study", of how the Department of State exercises its coordinative responsibilities. The basic policy underlying the Greek-Turkish Aid Program was formulated in the brief period following the presentation of a note by the British Ambassador on February 26, 1947, advising that the United Kingdom could as of March 31 no longer provide economic, financial, and advisory assistance to Greece. The President moved rapidly in the national interest and

in his message to Congress on March 14 requested Congress to appropriate \$400,000,000 in military and economic aid to assist these two freedom-loving countries, our allies in the last war, to resist the internal and external pressures which were being exerted against them by the Communist states.

The State Department at the request of the President took the leadership among the executive agencies in the formulation of the policy underlying the Greek-Turkish Aid Program, in the drafting of legislation, and in the preparation for its presentation to the Congress. This was done largely through *ad hoc* committees and informal liaison. On April 7, 1947, before the final approval of the enabling act (Public Law 75, 80th Congress) which was not passed until May 22, 1947, the State Department took more formal steps to initiate preoperational planning in order to reduce the objectives of the enabling legislation to practicable operating policies and plans in the short time available.

In order to assure participation by all interested offices and divisions of the State Department and all agencies of the Government having substantive interest in the program and likely to be able to make a contribution to it, there was created concurrently a Departmental Committee and an Interdepartmental Committee for Aid to Greece and Turkey. It is worth noting, to demonstrate the extent to which interdepartmental coordination must go, the number of separate organizations represented on the interdepartmental committee and in the program:

- The White House
- Treasury Department
- Department of Agriculture
- Department of Commerce
- Department of the Army
- Department of the Navy
- Department of the Air Force
- Department of Labor
- Social Security Administration
- Public Roads Administration (Federal Works Agency)
- Bureau of the Budget
- Federal Security Agency
- U.S. Corps of Engineers (Department of the Army)

The first order of business in the committees was the formulation of basic operating policies which had not been spelled out in the enabling legislation. Because of the urgency of the program the Interdepartmental Committee members came in most cases prepared to make decisions for their agencies. In the case of the State Department representative, who served as chairman, this was greatly facilitated by being able to obtain prior departmental agreement through the Departmental Committees, which met daily in long

sessions. Once basic policies were agreed upon, plans were developed to show the congressional appropriations committees how the funds would be expended.

The Department of State was formally delegated responsibility for the administration of the act by Executive Order dated May 22, 1947. The testimony of the executive agencies before the Congress and the reports of the House Foreign Affairs and Senate Foreign Relations Committees envisaged small but competent advisory missions in both Greece and Turkey. Each would have a chief of mission, who would exercise a large part of the responsibility for the execution of the program. It was also made clear that the State Department would utilize fully in the execution of the program the agency or agencies of the Government best qualified.

Pursuant to this policy, the Army, Navy, and Air Force Departments assumed responsibility for the execution of the military aspects of both programs. The agricultural rehabilitation program envisaged as a part of Greek recovery became the responsibility of the Department of Agriculture. The development of trade and procurement policies was the primary concern of the Department of Commerce. Responsibility was assigned to the United States Public Health Service for execution of the Greek public health program and to the Bureau of the Budget for developing plans for the reorganization of the Greek Government calculated to increase its effectiveness. The Treasury Department, although primarily interested in the development of financial and monetary policy, assumed responsibility, through the Federal Bureau of Supply, for procurement of all nonmilitary supplies not purchased through private channels. The Department of Labor was responsible for all matters affecting Greek labor, the Federal Security Agency for Greek social insurance, and the Public Roads Administration for road building under the Turkish program. Thanks to the reservoir of technically competent personnel in each department, operational plans were quickly developed. After approval by the Interdepartmental Committee and, where necessary, by the Secretary or Under Secretary of State, they were embodied in the master plans of the aid missions.

Although the Secretary of State is responsible for carrying out the program and has delegated to the Chiefs of the Aid Missions full responsibility for operations in the field, in the Washington "backstopping" of the various substantive aspects of the program the State Department has assumed the role of coordinator among the participating executive agencies. A total of 89 departmental officers from 22 offices and divisions participated in the planning of the program. In substantive problems they acted as liaison with the other interested departments, however, and

basic responsibility for operational planning was assumed directly by the departments involved.

In order to facilitate the State Department's coordinating role, both within and without the State Department, the position of Coordinator for Aid to Greece and Turkey was created on June 26, 1947, as part of the Office of the Under Secretary of State. The Coordinator was directed to "take all necessary action relating to the administration and proper coordination in Washington of functions under the Act". The Coordinator assumed the chairmanship of the Greek-Turkish aid committees and was at the peak of activity assigned a staff of some 70 people, 50 of whom were, in order to disturb the organization of the State Department as little as possible, assigned to that part of the State Department functionally responsible for their activity. For example, personnel working on Greek financial policy were assigned to the Financial Division. They attended regular "back-stop" staff meetings and maintained responsibility toward the aid programs.

Direct consultation was arranged with private groups interested in the Greek Aid Program, either on their own or on the State Department's initiative, and consideration was given their policy views. Formal meetings were held with the Export-Import Advisory Committee of the Department of Commerce. This Committee included representatives of banks and export and import houses which would take part in the program, and helped to develop suitable procedures covering procurement, payment, insurance, and shipping under the program. Full cooperation was given to private agencies who were engaged in activities which it was felt could contribute to the assistance effort. A joint program with the Greek War Relief Association will result in the construction of health centers and hospitals involving total new expenditures of over \$2,000,000 by the Association. The Unitarian Service Committee sent at its own expense a mission of 12 outstanding physicians and technicians from this country to help in strengthening the Greek medical profession.

In a few cases it was not possible to find an appropriate agency of government to assume responsibility for a part of the program, and responsibility had to be retained by the State Department. No agency of government, for example, could be found that was in a position to assume full responsibility for a well-drilling program to increase the water supply of Greece. It was, as a consequence, necessary for the State Department, with the assistance of some of the other departments, to develop this program itself. It was a startling innovation for the traditional State Department to have well drillers from Texas waiting in its offices for their papers to be processed before leaving for Greece.

An excellent illustration of the availability and competence of government agencies for foreign

operating tasks is afforded by the Greek reconstruction program. Consideration had originally been given to letting the contracts for the reconstruction of roads, railroads, harbors, and canals in Greece directly by the Greek Government, with the American Mission a party to the contracts and supervising execution of the contracts. Over 100 contracting firms had approached the State Department and had filed statements as to their experience and capabilities. In order, however, to assure that the work would be done properly and within the period of a year originally assigned to the program for execution, and in order to safeguard expenditure of public funds, it was decided to make use of the experience in overseas construction of the United States Corps of Engineers. The Army Engineers accepted the opportunity and threw their resources wholeheartedly into the work by setting up a Grecian District Office in Athens. Under their supervision two groups of U.S. contractors were entrusted with the construction work, and the basic program undertaken, aggregating some \$65,000,000 in dollar and drachma costs, is now scheduled for completion by the end of next month. The record of the Public Roads Administration Mission in Turkey, in assisting in the construction of strategic roads and strengthening the Turkish highway administration, is equally impressive.

When the missions began their work in Greece and Turkey, each of the substantive divisions developed direct lines of communication with their corresponding agencies in Washington. Although policy matters came from the Chiefs of Mission through Embassy and Department of State channels, there was direct interchange at the working level of substantive information, ideas, and instructions. Many of the departments had furnished some of their key personnel for the aid missions and maintained a keen interest in their segments of the program. It is believed that one of the most important elements in whatever success the missions have achieved was the bringing into play of all the potential contributions of the other executive agencies.

As the aid programs developed and policies became formulated, the Departmental and Interdepartmental Committees for Aid to Greece and Turkey met less and less frequently. Ultimately it was found most problems involving only one or a few of the interested agencies could be solved more effectively by telephone or direct liaison with the other departmental representatives on the committee, or through interchange of letters and memoranda. This was possible because the interdepartmental committee had been set up by exchange of letters with the other departments, not by statute, and had not acquired any vested interest as a committee. The committee was continued formally for some time after it became inactive, in order to utilize it as a chan-

nel for distributing reports and other documents received from the missions. It was convened only in the case of important policy decisions or to hear reports from members of the missions returning to this country.

Both the Greek and Turkish Aid Programs involve close coordination with the three service departments and with the National Military Establishment. Recommendations on important policy decisions are obtained from the Secretary of Defense who, when appropriate, refers them to the Joint Chiefs of Staff. However, day-to-day operational matters are handled by direct liaison with the minimum of formality. Excellent coordination between and with the services has been achieved at all times, both in Washington and in the field. The size of the military missions, 450 in Greece and 363 in Turkey, gives some index to the complexity of the problem. Both in Greece and in Turkey the senior officer, in each case a ground-force officer, is in over-all supervision of the military mission.

Important as coordination in Washington is in the execution of a foreign program, coordination in the field is more important. This has in general been achieved in the Greek-Turkish Aid Program, and any lapses that have occurred have only served to highlight the importance of a united effort. Coordination between the economic and military aspects of the Greek Aid Program, which was vital to the success of the effort since each impinged directly upon the other, was originally assured by the fact that the Chief of the American Mission for Aid to Greece was responsible for both segments of the program. Even though the responsibility for the economic side was transferred on July 1, 1948, in accordance with Public Law 472, to the Economic Cooperation Administration, coordination of the over-all effort is effected in Greece by the United States Ambassador who is also Chief of the American Mission for Aid to Greece, now largely a military mission. Field coordination is effected through daily meetings of the Ambassador with his executive committee composed of the Director of the Military Mission, the Chief of the Eca Mission, and the Counselor of Embassy.

IV. Conclusions

Although you will, as political scientists, wish to draw your own interpretation of the conclusions that can be derived from the coordinative experience of the Department of State with the other agencies of government in the Greek-Turkish Aid Program, I should like to suggest a few:

1. Since one department of government is not in a position to direct the activities of others even in the carrying out of a program for which it is responsible, it must use coordination as an admin-

istrative technique in the Washington "backstopping" of a foreign operation involving other departments. Control over program funds, which is vital for successful coordination, provides adequate authority for the coordinating agency.

2. The coordinating agency should exert positive leadership over the participating agencies and should keep the initiative at all times and the control over the time schedule of the program.

3. The maximum contribution will be made by the participating agencies if they are given the maximum of scope and responsibility within a broad policy framework, and encouraged to give full play to their own creative forces. In other words, coordination should be effected with as light a hand as possible.

4. Coordination should make maximum use of existing channels and coordinative mechanisms and should supplement and amplify rather than compete with them.

5. The coordinating agency should assume no substantive responsibility in a field for which another agency is responsible, but should be prepared to carry out some important segment of the program if it cannot be accomplished otherwise.

6. The medium of coordination, whether committee or direct liaison, should be the servant rather than the master of the coordinating agency. Selection should be determined by expediency rather than by statute.

7. Coordination is facilitated by full prior consultation and agreement by the participating agencies on important policy issues of common interest, and by respect for the prerogatives of the participating agencies.

8. In order to be effective the coordinating agency must understand thoroughly the substantive issues involved and follow the work of the participating agencies closely at the substantive level.

9. Coordination in the field, *vis-à-vis* the foreign government concerned, is even more important than coordination in Washington.

10. Irrespective of what the decision may be as to whether the Department of State should assume direct responsibility for the conduct of an operation, there appears to be no reason why it cannot effectively coordinate one.

And what, you may ask, can one conclude as to the role the State Department will play as a coordinator in the field of foreign affairs in the future? In the final analysis the answer depends upon the use which the President chooses to make of it, which is in turn intimately related to the nature of the organization set up at the presidential level to effect coordination of problems of great national importance falling outside the scope of any one of the Government departments.

The extent to which the Department of State

Department of State Bulletin

continues to serve in the future as a coordinator in the field of foreign affairs depends in large measure upon the world situation, which will determine the importance of the foreign-policy aspects of the problems involved. It also depends on whether or not we in the State Department prove ourselves an effective coordinating mechanism. One way in which we can so prove ourselves lies in the perfection of the organization of the State Department to establish clear lines of policy and executive responsibility, and in the continued development of the techniques of coordination through a professional secretariat.

An equally important element, however, is the caliber of the officers of the State Department. The Department of State needs to draw more than in the past from those outstanding citizens in this country who have through successful careers in business, professional, or academic life clearly demonstrated their ability and their devotion to public service. Such men would provide the wealth and breadth of experience in particular substantive problems which are required if the State Department is to establish effective leadership over those it coordinates. Such men, brought into the State Department at all stages of their development, would serve to complement the outstanding group of men who constitute the Foreign Service of the United States and who have through experience become familiar with other countries and with the methods of diplomacy. Together they would assure that the Department of State was a tool which the President could use effectively as his staff organization for coordinating the formulation and execution of United States foreign policy—to safeguard the vital foreign interests of this country and to assure that we persevere in our efforts to achieve world peace and security.

Preparation of Recommendations to the President on Military Assistance Programs

Ernest A. Gross Designated Coordinator for Foreign Assistance Programs

[Released to the press December 29]

At the request of the President, the executive departments and agencies concerned with the formulation or administration of United States programs of foreign assistance are preparing for the President recommendations concerning legislation for possible submission to the 81st Congress, including recommendations for legislation authorizing the provision of military assistance in certain circumstances. For a number of months the Department of State and the National Military Establishment have been jointly engaged in the preparation of working drafts of such legislation.

The President has directed the several depart-

ments and agencies concerned to coordinate their efforts as closely as possible in order that all related aspects of the foreign economic and military programs, from a policy, budgetary, and supply point of view, may be considered by him on a comprehensive and integrated basis.

The Department of State has been assigned responsibility for coordinating the preparation of recommendations to the President concerning military assistance programs.

In order to discharge this responsibility, the Department of State has established within the office of the Under Secretary the position of Coordinator for Foreign Assistance Programs. He will be responsible for coordinating the Department's activities in this field, including planning for and initiating, in collaboration with the National Military Establishment, the Economic Cooperation Administration, and other appropriate agencies, legislation extending or affecting foreign military assistance and related economic assistance, and its presentation to the Congress, as well as representation of the Department in inter-departmental discussions concerning the United States policy with respect to this assistance. The Coordinator will also assure that matters relating to regional agreements and arrangements under the Charter of the United Nations and Senate Resolution 239, 80th Congress, are fully coordinated with the development and presentation to Congress of the foreign assistance programs.

Ernest A. Gross has been designated as Coordinator for Foreign Assistance Programs. Mr. Gross, who is Legal Adviser for the Department of State, has just returned from Paris, where he was United States Alternate Delegate to the Third Regular Session of the United Nations General Assembly. Prior to his appointment as Legal Adviser, Mr. Gross was Deputy Assistant Secretary of State for occupied areas, in which capacity he worked closely with the War and Navy Departments in connection with politico-military matters. During the war he was a Lieutenant Colonel and served as Chief of the Economic Section of the Civil Affairs Division, War Department General Staff.

United States Recognizes Republic of Korea

[Released to the press by the White House January 1]

On December 12, 1948, the United Nations General Assembly adopted a resolution approving the conclusions of the report of the United Nations Temporary Commission on Korea and declaring in part "that there has been established a lawful government (the Government of the Republic of Korea), having effective control and jurisdiction over that part of Korea where the Temporary Commission was able to observe and consult and in which the great majority of the people of all Korea reside; that this Government is based on

elections which were a valid expression of the free will of the electorate of that part of Korea and which were observed by the Temporary Commission; and that this is the only such Government in Korea".¹ The resolution of December 12 concluded with the recommendation that member states and other nations take the foregoing facts into consideration in establishing their relations with the Government of Korea.

In the light of this action by the General Assembly, and taking into account the facts set forth in the statement issued by this Government on August 12, 1948, concerning the new Korean Government, the United States Government has decided to extend full recognition to the Government of the Republic of Korea. Incidental to this step it is anticipated that, by agreement with that Government, the Mission of the United States Special Representative in Korea will in the near future be raised to Embassy rank.

In conformity with the General Assembly resolution of December 12, the United States Government will endeavor to afford every assistance and facility to the new United Nations Commission on Korea established thereunder in its efforts to help the Korean people and their lawful Government to achieve the goal of a free and united Korea.

Economic Stabilization Program To Be Carried Out by Japanese Government

[Released to the press jointly with the Department of the Army on December 18]

The Departments of State and Army announced on December 18 that the Supreme Commander for the Allied Powers will direct the Japanese Government to carry out an effective economic stabilization program calculated to achieve fiscal, monetary, price, and wage stability in Japan as rapidly as possible, as well as to maximize production for export. The action of the Supreme Commander will be taken pursuant to an interim directive issued to him by the United States Government which is in accord with the terms of reference of the Far Eastern Commission.

Economic stability is a most urgent requirement for assuring the continuation of Japan's economic recovery and insuring the maximum effect from use of United States-appropriated funds. General MacArthur and responsible officials in Washington have been encouraged by the marked general recovery in Japanese industrial production through 1948 (with November at 62 percent of the 1930-34 average and 47 percent above a year ago) and by the anticipated increase in exports this year to about \$260,000,000, 48 percent above 1947. General price and monetary in-

flation have continued, however, with the consumer price level and note issue increasing 60 percent over the period between November 1947 and November 1948. The retarding effects of this general and continuing inflation, together with the dangers to the gains already achieved, have made apparent the necessity for more resolute and intensive action by the Japanese.

Improvements in the Japanese general standard of living will be contingent on the degree to which the Japanese give whole-hearted support to the achievement of economic stabilization and recovery. Their performance in carrying out their program will be weighed in connection with future requests for appropriated funds for Japan.

Countries which are recipients of United States assistance under the Economic Cooperation Act of 1948 have also undertaken certain measures similar to those specified in this program. These include financial and monetary measures necessary to stabilize their currencies, to establish or maintain valid rates of exchange, to balance their budgets as soon as practicable, and generally to maintain confidence in their monetary system. The action in Japan is in line with the efforts of the United States in other parts of the world to contribute to general economic recovery.

The necessity for such a program was recognized by General MacArthur in July 1948 when he urged upon the Japanese Government a program which was substantially that which he has now directed they carry out. The specific objectives of the program are:

A. Achieving a true balance in the consolidated budget at the earliest possible date by stringent curtailing of expenditures and maximum expansion in total governmental revenues, including such new revenue as may be necessary and appropriate.

B. Accelerating and strengthening the program of tax collection and insuring prompt, widespread, and vigorous criminal prosecution of tax evaders.

C. Assuring that credit extension is rigorously limited to those projects contributing to the economic recovery of Japan.

D. Establishing an effective program to achieve wage stability.

E. Strengthening and, if necessary, expanding the coverage of existing price-control programs.

F. Improving the operation of foreign-trade controls and tightening existing foreign-exchange controls, to the extent that such measures can appropriately be delegated to Japanese agencies.

G. Improving the effectiveness of the present allocation and rationing system, particularly to the end of maximizing exports.

H. Increasing production of all essential indigenous raw material and manufactured products.

I. Improving efficiency of the food-collection program.

¹ BULLETIN of Dec. 19, 1948, p. 760.

The Inter-American Security System

BY WILLARD F. BARBER¹

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It is a pleasure to attend this meeting of the American Political Science Association, of which I have been a member for some twenty years. I am happy to discuss one specific aspect of inter-American relations before an audience including several whose contributions to the cause of good will in the Americas span far more than twenty years.

Senator Vandenberg said that the inter-American treaty of reciprocal assistance signed at Rio de Janeiro on September 2, 1947, is "sunlight in a dark world."

The treaty has a triple aspect:

A. It is under the United Nations a regional arrangement for the maintenance of peace and security under articles 52 through 54 of the Charter. It invokes the right (in article 51) of individual and collective self-defense against armed attack, pending action by the Security Council.

B. It states that an armed attack by any state against one American state is an attack against all. An armed attack from any source made upon the area described in article 4 of the treaty or upon the territory of an American state outside the area, obliges the signatories to assist in meeting the attack, as well as to consult. The nature of the help which they are pledged to render individually will be determined by each state pending a consultation to decide upon the collective measures required of all. Thus the *right* of collective self-defense in article 51 of the Charter becomes an *obligation* under the Rio treaty. Decisions taken by a two-thirds vote are binding on all parties, including those not concurring. However, no state is required to use armed force without its consent.

C. It provides for consultation in the event of an act or threat of aggression against an American state or of any fact or situation which might endanger the peace of the Americas.

Years of Development

These forthright treaty obligations were not signed at Rio in an outburst of hemispheric sentimentality; on the contrary. The treaty was not an outburst, but an outgrowth which has been steady and cumulative in the more than fifty years of development of the inter-American system. Furthermore, it is based on the trial-and-error method, hammered out through years of actual practical experience. It is an *outgrowth*, not an

outburst. It does indeed offer sunlight in a dark world.

From our own national point of view, if I may be permitted a reminder, the bipartisan foreign policy of the United States, which is now widely accepted, has prevailed for some time in the inter-American area.

The Practice of Consultation

It was at the inter-American conference of Buenos Aires in 1936 that the principle of consultation was agreed to in the event that the peace of the Americas was threatened. This was, therefore, an important milestone in establishing the machinery for implementing the basic policy of hemispheric solidarity.

The consultative procedure originating in 1936, confirmed at Lima in 1938, and manifested during the war years by meetings in 1939 at Panama, in 1940 at Habana, and in 1942 at Rio de Janeiro, contributed substantially to inter-American security.

The act of Chapultepec, adopted at Mexico in 1945, reaffirmed the pronouncements of Buenos Aires and Lima. It restated the justifications for continental consultation.

Consultation, indeed, is provided for in the Rio treaty in articles 3, 6, 7, 8, 9, 11, 12, 13, 17, and 21. It also appears in the charter of the Organization of American States and in the treaty on pacific settlement signed at Bogotá in 1948. Thus the principle of consultation is now firmly imbedded in the constitutional law of the inter-American system.

The Doctrine of All for One and One for All

At Habana in 1940, the consultative procedure produced a resolution that an attack upon one American state by a non-American state would be considered as an attack upon all of them. This was none too early as a security measure, for it was in the very next year that Pearl Harbor was bombed.

Before the war was concluded, however, further steps to improve hemispheric security were taken. These include the work of the Montevideo Committee for Political Defense, the Inter-American

¹ Address delivered before the Inter-American Panel Meeting of the American Political Science Association in Chicago on Dec. 29, 1948, and released to the press on the same date.

Juridical Committee, and the Defense Board, which I have insufficient time to discuss. These steps reached a culmination with statements in the Declaration of Mexico and the Act of Chapultepec of 1945 that an attack upon an American state by *any state* constitutes an aggression against all the American states. The act went on to provide for consultation (more consultation!) to decide upon the measures to meet such aggression, including the possible use of armed force.

It will be recalled that at the time of Chapultepec the Charter of the United Nations did not yet exist. Nonetheless that act provided that the treaty which might grow out of it should be consistent with the United Nations Charter.

It was, then, at Rio that in 1947 the next logical and orderly steps were taken to put in treaty form the "all for one" doctrine. That treaty we will examine in a moment.

In the charter of the Organization of American States signed at Bogotá on May 2, 1948, a number of the principles adopted in the Rio treaty were unanimously confirmed.² Article 5 (f) reaffirms the "all for one" principle. Articles 24 and 25 reiterate the collective-security provisions of the Rio treaty in precise language, and article 43 states again that consultations shall be held without delay in case of armed attack.

Thus we see that the resolutions on consultation, accepted in 1936, and the doctrine of "all for one," agreed upon since 1940, were brought together and considerably advanced by their incorporation into treaty form at Rio in 1947. That it was not an isolated peak of inter-American solidarity is proven by the categoric repetitions of the same two concepts in the charter of Bogotá signed in 1948.

The Rio Treaty

To return to the Rio treaty. It consists of 26 articles, most of them short.

The all-for-one doctrine appears in articles 3 and 6. The treaty establishes a clear obligation on the parties to take action in meeting armed attack; it requires consultation respecting other acts of aggression and any other situations endangering the peace of America. It specifies the procedure and organs through which the community of states will act and lists measures which may be taken against an aggressor. There is no veto. Each party is committed in advance to carry out decisions of the Organ of Consultation, although it may have voted against that decision. The sole exception is that its armed forces may not be used without a state's consent.

² For the reports of the U.S. Delegations to the two conferences, see *Ninth International Conference of American States* (Bogotá), Department of State publication 3263, and *Inter-American Conference for the Maintenance of Continental Peace and Security* (Quitandinha, Brazil), Department of State publication 3016.

The Rio treaty is open for signature by any American state. This includes Canada. Of the 21 American Republics, representatives of 20 have already signed. The life of the treaty is indefinite.

The United States Senate approved the treaty on December 8, 1947, 72 to 1. Our ratification, deposited on December 30, was the second. On December 3, 1948, the Pan American Union received the ratification of Costa Rica, the fourteenth, bringing the treaty into effect with respect to the ratifying states. It was a pleasure and an honor to attend in person that epochal event.

Cuba has since deposited her ratification.

Regarding the relationship of the Rio treaty to the United Nations, Secretary Marshall stated on September 4, 1947, that "the successful formulation of this regional treaty affords the United Nations a significant example—an example, I feel, of which it is in great need at the present time."

The example, in summary, arises out of the following points:

1. There is no veto.
2. The implementation of sanctions is binding even upon states not concurring.
3. It provides for immediate action.
4. It is technically sound, applying to relations between states, within a regional group, and to the world organization.
5. It is a culmination of nearly 60 years of inter-American effort.

Finally, it does not suffice for there merely to be agreed-upon documentation and established machinery in order to maintain inter-American security. As was stated by Ambassador Daniels, the United States Representative on the Council of the Organization of American States, on October 12, 1948:

" . . . that structure of peace will fail to achieve reality . . . if it does not receive a constant and devoted use. Every threat to use force . . . undermines the reality of our Organization, and deserves the united condemnation of all our peoples. Every successful solution of international disputes in accordance with our established procedures and principles, on the other hand, makes our inter-American structure more real, and deserves our united applause."

Air Transport Agreement With Bolivia

On December 29 the Department of State released the text of a bilateral air transport agreement signed September 29, 1948, between the Governments of the United States and Bolivia. Announcement of the signing of the agreement was made in the BULLETIN of October 10, 1948, page 470.

most countries. It provides certain carefully defined and limited exceptions to enable member nations to cope with current abnormal conditions and, at the same time, to determine their long-run course of action in terms of charter principles. Agreement upon the long-run course of action will hasten the end of the transition period. Absence of agreement, with the prospect of future economic warfare, would prolong the transition period.

Many provisions of the charter would have immediate applicability by all countries (see question 22). Even in cases where certain provisions cannot be applied immediately by some countries, the charter provides a procedure to pass through the transition period with a minimum disturbance of orderly trade. Countries demonstrated their will to work together along the lines of the charter when their representatives agreed upon its formulation and when 23 countries concluded the General Agreement on Tariffs and Trade, the most comprehensive effort ever undertaken to reduce world-trade barriers.

Would renegotiation of the charter result in a better document?

The United States and the United Kingdom reached agreement on broad lines of postwar commercial policy under the Atlantic Charter of 1941. At the Bretton Woods Conference of 1944, 44 countries agreed upon the objectives for an international economic policy. Thereafter, a preparatory committee of 18 countries established by the Economic and Social Council of the United Nations held three international conferences at London, Lake Success, and Geneva in 1946-47, which formulated a draft charter for an International Trade Organization. This charter was then considered, modified, and agreed upon by representatives of 54 countries, after four months of continuous negotiation at the United Nations Conference on Trade and Employment at Habana, in the winter of 1947-48. The Habana charter, like the United States Constitution, has a procedure for amending it as time, experience, and circumstances indicate.

In view of the fact that the United States sponsored the project of an Iro, over a period of seven years of successful negotiations, it appears unlikely that renegotiation could possibly result in a better document from the standpoint of the United States which would, at the same time, be acceptable to a majority of other nations. It is highly improbable that a proposal to renegotiate would be accepted by other countries. They would lose faith in the consistency and continuity of our economic foreign policy. Such a proposal by the United States would kill the Iro.

January 9, 1949

What are the alternatives to the Iro charter?

If the Iro charter is not adopted, emergency trade practices of many countries are likely to form permanent patterns governing much of the world's commerce. Governments may then exercise more and more control over foreign trade resulting in additional restrictions and discriminations. The danger of trade warfare will be a constant threat. In such circumstances, with trade conducted primarily on a bilateral basis, American businessmen might find themselves unable to compete in foreign trade without federal aid and accompanying governmental controls. It is only one step from foreign-trade controls to supplementary domestic controls. Our system of free private enterprise could not flourish in such an atmosphere.

Rejection of the Iro by the United States would weaken our leadership in the international economic sphere. It would seriously hinder our program of international economic collaboration and could hardly fail to affect adversely our political influence in world affairs.

William L. Clayton, former Under Secretary of State for economic affairs, speaking of the charter negotiations at the opening of the Habana Conference said:

"There are only two roads open to us. One leads to multilateralism, nondiscriminatory trade, with a great increase in the production, distribution, and consumption of goods in the world, and happier relations between all countries. The other leads to economic nationalism, restrictionism, bilateralism, discriminatory practices, a lowering of the standard of living, and bad feeling all around. We must choose now which road we will take."

Documents and State Papers

November and December 1948

Contents:

**Soviet Domination of the Danube
Conference**

Security Council Action on Palestine

**Commission on Narcotic Drugs: Third
Session**

**Calendar of International Meetings with
Annotations**

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Contents

Treaty Information

	Page
Questions and Answers on the Proposed International Trade Organization	35
CFM Meeting Proposed To Resume Austrian Treaty Negotiations	52
Establishing an International Authority for the Ruhr, December 28, 1948:	
Communiqué on Six Power Meetings.	43
Germany: Administrative Divisions (map)	45
Text of Draft Agreement.	46
Air Transport Agreement With Bolivia.	62

The United Nations and Specialized Agencies

Questions and Answers on the Proposed International Trade Organization	35
The United States in the United Nations	41

General Policy

	Page
Coordinating Foreign Aid. Address by George C. McGhee	53
United States Recognizes Republic of Korea	59
The Inter-American Security System. Address by Willard F. Barber.	61

Occupation Matters

Economic Stabilization Program To Be Carried Out by Japanese Government.	60
--	----

Calendar of International Meetings

The Congress

Preparation of Recommendations to the President on Military Assistance Programs	59
---	----

Publications

Documents and State Papers, November-December	63
---	----